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July 2, 2003

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110


Re: D.T.E. 03-47, Boston Edison Company, Cambridge Electric Light Company,  
Commonwealth Electric Company, NSTAR Gas Company, Pension/PBOP  
Adjustment Mechanism Tariff Filing, Discovery Responses

Dear Secretary Cottrell:

Enclosed for filing in the above-referenced matter are the responses of Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company and NSTAR Gas Company to the Information Requests set forth on the accompanying list.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert N. Werlin / hrl".

Robert N. Werlin

Enclosures

cc: Service List

## Responses to Information Requests

Information Request AG-1-6 (Supp)

Information Request AG-1-10

Information Request DTE-3-1

Information Request DTE-3-2

Information Request DTE-3-3

Information Request DTE-3-4

Information Request DTE-3-5

Information Request DTE-4-1

Information Request DTE-4-2

July 2, 2003

Information Request AG-1-6 (Supp)

Please provide copies of the Annual Returns to the Department for each of the years 1990 to 2002 for each of the Companies.

Response

The documents are attached as follows:

Boston Edison Company

Attachment AG-1-6 (1), FERC Form 1 and MA Supplement, 1990  
Attachment AG-1-6 (2), FERC Form 1 and MA Supplement, 1991  
Attachment AG-1-6 (3), FERC Form 1 and MA Supplement, 1992  
Attachment AG-1-6 (4), FERC Form 1 and MA Supplement, 1993  
Attachment AG-1-6 (5), FERC Form 1 and MA Supplement, 1994  
Attachment AG-1-6 (6), FERC Form 1 and MA Supplement, 1995  
Attachment AG-1-6 (7), FERC Form 1 and MA Supplement, 1996  
Attachment AG-1-6 (8), FERC Form 1 and MA Supplement, 1997  
Attachment AG-1-6 (9), FERC Form 1 and MA Supplement, 1998  
Attachment AG-1-6 (10), FERC Form 1 and MA Supplement, 1999  
Attachment AG-1-6 (11), FERC Form 1 and MA Supplement, 2000  
Attachment AG-1-6 (12), FERC Form 1 and MA Supplement, 2001  
Attachment AG-1-6 (13), FERC Form 1 and MA Supplement, 2002

Cambridge Electric Light Company

Attachment AG-1-6 (14), FERC Form 1 and MA Supplement, 1990  
Attachment AG-1-6 (15), FERC Form 1 and MA Supplement, 1991  
Attachment AG-1-6 (16), FERC Form 1 and MA Supplement, 1992  
Attachment AG-1-6 (17), FERC Form 1 and MA Supplement, 1993  
Attachment AG-1-6 (18), FERC Form 1 and MA Supplement, 1994  
Attachment AG-1-6 (19), FERC Form 1 and MA Supplement, 1995  
Attachment AG-1-6 (20), FERC Form 1 and MA Supplement, 1996  
Attachment AG-1-6 (21), FERC Form 1 and MA Supplement, 1997  
Attachment AG-1-6 (22), FERC Form 1 and MA Supplement, 1998  
Attachment AG-1-6 (23), FERC Form 1 and MA Supplement, 1999  
Attachment AG-1-6 (24), FERC Form 1 and MA Supplement, 2000  
Attachment AG-1-6 (25), FERC Form 1 and MA Supplement, 2001  
Attachment AG-1-6 (26), FERC Form 1 and MA Supplement, 2002

Commonwealth Electric Company

Attachment AG-1-6 (27), FERC Form 1 and MA Supplement, 1990  
Attachment AG-1-6 (28), FERC Form 1 and MA Supplement, 1991  
Attachment AG-1-6 (29), FERC Form 1 and MA Supplement, 1992  
Attachment AG-1-6 (30), FERC Form 1 and MA Supplement, 1993  
Attachment AG-1-6 (31), FERC Form 1 and MA Supplement, 1994  
Attachment AG-1-6 (32), FERC Form 1 and MA Supplement, 1995  
Attachment AG-1-6 (33), FERC Form 1 and MA Supplement, 1996  
Attachment AG-1-6 (34), FERC Form 1 and MA Supplement, 1997  
Attachment AG-1-6 (35), FERC Form 1 and MA Supplement, 1998  
Attachment AG-1-6 (36), FERC Form 1 and MA Supplement, 1999  
Attachment AG-1-6 (37), FERC Form 1 and MA Supplement, 2000  
Attachment AG-1-6 (38), FERC Form 1 and MA Supplement, 2001  
Attachment AG-1-6 (39), FERC Form 1 and MA Supplement, 2002

NSTAR Gas Company

Attachment AG-1-6 (40), Return of the Company to the D.P.U., 1990  
Attachment AG-1-6 (41), Return of the Company to the D.P.U., 1991  
Attachment AG-1-6 (42), Return of the Company to the D.P.U., 1992  
Attachment AG-1-6 (43), Return of the Company to the D.P.U., 1993  
Attachment AG-1-6 (44), Return of the Company to the D.P.U., 1994  
Attachment AG-1-6 (45), Return of the Company to the D.P.U., 1995  
Attachment AG-1-6 (46), Return of the Company to the D.P.U., 1996  
Attachment AG-1-6 (47), Return of the Company to the D.P.U., 1997  
Attachment AG-1-6 (48), Return of the Company to the D.P.U., 1998  
Attachment AG-1-6 (49), Return of the Company to the D.P.U., 1999  
Attachment AG-1-6 (50), Return of the Company to the D.P.U., 2000  
Attachment AG-1-6 (51), Return of the Company to the D.P.U., 2001  
Attachment AG-1-6 (52), Return of the Company to the D.P.U., 2002

Please note that the attachments are bulk documents and are therefore being provided only to the Secretary, the Hearing Officer and the Attorney General. A copy of each is also available for inspection at the Company's offices during normal business hours.

In addition, the Company has been unable to locate the Massachusetts supplements for Boston Edison for 1991 and 1992, and for Cambridge and Commonwealth for 1995. This response will be supplemented if and when the additional materials are located.

Supplemental Response

The Company has located the above-referenced Massachusetts Supplements, which are provided herewith as follows:

Boston Edison Company

Attachment AG-1-6 (2a), MA Supplement, 1991  
Attachment AG-1-6 (3a), MA Supplement, 1992

Cambridge Electric Light Company

Attachment AG-1-6 (19a), MA Supplement, 1995

Commonwealth Electric Company

Attachment AG-1-6 (32a), MA Supplement, 1995

Please note that the attachments are bulk documents and are therefore being provided only to the Secretary, the Hearing Officer and the Attorney General. A copy of each is also available for inspection at the Company's offices during normal business hours.

Information Request AG-1-10

Please provide the annual percent return on average common equity for each of the Companies for each of the years 1990 through 2002.

Response

Attachment AG-1-10(a) sets forth the return on average common equity by Company for the years 1990 through 2002. For the years 1998 through 2002 adjustments have been made so that the return equity for the gas distribution and electric distribution and transmission businesses are isolated from other activities. No attempt has been made to adjust the return on equity calculation prior to 1998. It should be noted that the electric companies' return on equity for 1990 through 1997 includes distribution, transmission, and generation functions as well as income from unregulated subsidiaries and certain incentive mechanisms. It is therefore not particularly relevant to the now-existing distribution companies.

If historical return numbers have any relevance to this case, the equity return on distribution rate base is a better indicator than return on common equity in terms of assessing return for ratemaking purposes. This calculation is a more reasonable indication of a company's "regulatory" earnings for ratemaking purposes, although it is not identical to a revenue-requirement calculation, which would include other adjustments, e.g., for known and measurable changes, consistent with Department ratemaking precedent. As an example, gas revenues have not been normalized for weather. In an effort to be meaningfully responsive to the question, a calculation of equity return on distribution rate base by Company is provided as Attachment AG-1-10(b) for the years 2000, 2001 and 2002. The following table is a summary of the results:

	Percentage Return on Rate Base		
	2000	2001	2002
Boston Edison Company	9.4%	9.1%	8.0%
Commonwealth Electric Company	8.5%	7.9%	6.0%
Cambridge Electric Light Company	6.3%	8.3%	10.1%
NSTAR Gas Company	12.5%	10.6%	6.6%

## Boston Edison Company Return On Common Equity

(\$ in millions)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1 Income Available for Common	\$77.788	\$77.059	\$90.422	\$102.513	\$109.257	\$96.955	\$126.181	\$131.493	\$148.571	\$154.354	\$140.068	\$144.727	\$132.143
2 Less: Net Income For Energy Conservation, Mitigation Incentive, and Other Items *									(36.636)	(61.639)	(38.370)	(23.725)	(26.788)
3 Adjusted Income Available for Common	77.788	77.059	90.422	102.513	109.257	96.955	126.181	131.493	111.935	92.715	101.698	121.002	105.355
4													
5 Average Common Stock Equity	\$732.824	\$759.605	\$800.129	\$842.878	\$880.015	\$937.962	\$998.177	\$1,044.868	\$1,061.875	\$890.359	\$1,072.979	\$1,206.460	\$1,169.278
6													
7 Return on Average Common Stock Equity	10.61%	10.14%	11.30%	12.16%	12.42%	10.34%	12.64%	12.58%	10.54%	10.41%	9.48%	10.03%	9.01%

### Notes:

- A Statutory Tax Rate is 39.225%.
- B Income available for common is net income less preferred dividends.
- C Common equity is total proprietary capital less preferred stock issued and undistributed subsidiary earnings.
- D No attempt has been made to adjust income for 1990 - 1997.
- E \* Other items are transition charge incentives such as Pre-RAD NPAC, Fossil and Nuclear ITC taken in one year rather than over the transition period, NCIO, Nuclear PBR and Flowback of Additional Fossil Accumulated Depreciation in accordance with the restructuring settlement agreement. Also included is HEEC and BEC Funding net income.

### Commonwealth Electric Company Return On Common Equity

(\$ in millions)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1 Income Available for Common	\$6.162	\$9.857	\$9.004	\$12.078	\$16.073	\$15.169	\$19.605	\$16.923	\$15.109	\$5.778	\$28.058	\$30.939	\$25.283
2 Less: Net Income For Energy Conservation and Mitigation Incentive									(0.686)	(0.699)	(1.431)	(1.300)	(1.705)
3 Adjusted Income Available for Common	6.162	9.857	9.004	12.078	16.073	15.169	19.605	16.923	14.423	5.079	26.627	29.639	23.578
4													
5 Average Common Stock Equity	\$126.259	\$126.128	\$127.548	\$145.494	\$163.202	\$166.003	\$172.000	\$177.678	\$182.582	\$216.164	\$260.569	\$295.110	\$329.045
6													
7 Return on Average Common Stock Equity	4.88%	7.82%	7.06%	8.30%	9.85%	9.14%	11.40%	9.52%	7.90%	2.35%	10.22%	10.04%	7.17%

Notes:

- A Statutory Tax Rate is 39.225%
- B Income available for common is net income less preferred dividends.
- C Common equity is total proprietary capital less preferred stock issued and undistributed subsidiary earnings.
- D No attempt has been made to adjust income for 1990 - 1997.

# Cambridge Electric Light Company Return On Common Equity

(\$ in millions)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1 Income Available for Common	\$1,984	\$4,039	\$0,064	\$3,101	\$6,242	\$5,438	\$5,121	\$5,216	\$8,821	(\$0,445)	\$5,203	\$3,522	\$7,699
2 Less: Net Income For Energy Conservation and Mitigation Incentive									(0.167)	(0.273)	(0.639)	(0.332)	(0.255)
3 Adjusted Income Available for Common	1,984	4,039	0,064	3,101	6,242	5,438	5,121	5,216	8,654	(0,718)	4,564	3,190	7,444
4													
5 Average Common Stock Equity	\$34,311	\$33,948	\$36,280	\$39,157	\$39,615	\$39,785	\$40,699	\$42,409	\$45,632	\$54,251	\$60,749	\$64,258	\$69,748
6													
7 Return on Average Common Stock Equity	5.78%	11.90%	0.18%	7.92%	15.76%	13.67%	12.58%	12.30%	18.97%	-1.32%	7.51%	4.96%	10.67%

## Notes:

- A Statutory Tax Rate is 39.225%
- B Income available for common is net income less preferred dividends.
- C Common equity is total proprietary capital less preferred stock issued and undistributed subsidiary earnings.
- D No attempt has been made to adjust income for 1990 - 1997.

# **NSTAR Gas Company Return On Common Equity**

(\$ in millions)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1 Income Available for Common	\$2.541	\$3.120	\$14.855	\$16.299	\$13.568	\$16.229	\$16.789	\$15.443	\$13.268	\$11.105	\$24.266	\$23.000	\$17.150
2 Less: Net Income For Energy Conservation	0.000	0.000	0.000	0.000	(0.013)	(0.436)	(1.459)	(0.868)	(1.647)	(1.516)	(1.423)	(0.874)	(0.758)
3 Adjusted Income Available for Common	2.541	3.120	14.855	16.299	13.555	15.793	15.330	14.575	11.621	9.589	22.843	22.126	16.392
4													
5 Average Common Stock Equity	\$69.664	\$82.047	\$85.544	\$97.580	\$106.502	\$107.830	\$109.839	\$113.027	\$116.598	\$149.804	\$191.072	\$215.120	\$233.117
6													
7 <b>Return on Average Common Stock Equity</b>	<b>3.65%</b>	<b>3.80%</b>	<b>17.37%</b>	<b>16.70%</b>	<b>12.73%</b>	<b>14.65%</b>	<b>13.96%</b>	<b>12.89%</b>	<b>9.97%</b>	<b>6.40%</b>	<b>11.96%</b>	<b>10.29%</b>	<b>7.03%</b>

**Notes:**

- A Statutory Tax Rate is 39.225%
- B Income available for common is net income less preferred dividends.
- C Common equity is total proprietary capital less preferred stock issued and undistributed subsidiary earnings.



800 Boylston Street Boston, Massachusetts 02199

Attachment AG-1-10(a)

Page 5 of 10

WSS

William S. Stowe  
Assistant General Counsel

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Fax: 617-424-2733

E-mail: [william\\_stowe@nstaronline.com](mailto:william_stowe@nstaronline.com)

March 29, 2001

**Hand Delivered**

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02110

**Re: Boston Edison Company  
D.P.U./D.T.E. 96-23**

Dear Secretary Cottrell:

As required by Section I.B.2.(d) of Boston Edison Company's Restructuring Settlement Agreement as approved by the Department in Boston Edison Company, D.P.U./D.T.E. 96-23 (January 28, 1998), enclosed is a calculation for 2000 of Boston Edison Company's annual return on average common equity associated with distribution operations. As shown in the attached calculation, the adjusted return on average common equity is 9.48%, which lies within the neutral zone for which no further adjustment of rates shall be authorized or required.

If there are any questions regarding this filing, please let me know.

Very truly yours,

Enclosure

cc: Paul G. Afonso, Esq., General Counsel  
George B. Dean, Esq., Assistant Attorney General  
Service List D.P.U./D.T.E. 96-23  
Settlement Agreement Signatories

Boston Edison Company  
2000 Distribution ROE Reconciliation  
\$ in Millions

Line #		2000
1	<u>ROE Cap Adjustments</u>	
2	BECo. Income Available for Common	\$140.068
3	Less: Energy Conservation Net Income	(4.191)
4	Less: HEEC/BEC Funding Net Income	(2.072)
5	Less: Mitigation Incentive Income	(17.989)
6	Less: Flow back of 2000 Additional Voluntary Depreciation for Mystic 4, 5 & 6	(2.500)
7	Less: Tax Benefits associated with Securitization	(11.618)
8	Distribution Income Available for Common	<u>\$ 101.698</u>
9		
10	BECo. Average Common Stock Equity	\$1,072.979
11		
12	<b>Distribution Return on Average Common Stock Equity</b>	<b>9.48%</b>
13		
14	Effective Income Tax Rate	<u>39.225%</u>



800 Boylston Street  
Boston, Massachusetts 02199

The NSTAR Companies

Boston Edison  
ComElectric  
ComGas  
Cambridge Electric

William S. Stowe  
Assistant General Counsel

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April 28, 2000

**Hand Delivered**

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02110

**Re: Boston Edison Company  
D.P.U./D.T.E. 96-23**

Dear Secretary Cottrell:

As required by Section I.B.2.(d) of Boston Edison Company's Restructuring Settlement Agreement as approved by the Department in Boston Edison Company, D.P.U./D.T.E. 96-23 (January 28, 1998), enclosed is a calculation for 1999 of Boston Edison Company's annual return on average common equity associated with distribution operations. As shown in the attached calculation, the adjusted return on average common equity is 10.41%, which lies within the neutral zone for which no further adjustment of rates shall be authorized or required.

If there are any questions regarding this filing, please let me know.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Will Stowe", is written over a horizontal line.

Enclosures

cc: Paul G. Afonso, Esq., General Counsel  
George B. Dean, Esq., Assistant Attorney General  
Service List D.P.U./D.T.E. 96-23  
Settlement Agreement Signatories

1999 ROE

Boston Edison Company		1999
1999 Distribution ROE Reconciliation		
\$ In Millions		
Line #		1999
1	ROE Cap Adjustments	
2	BECo. Income Available for Common	\$154.354
3	Less: Pre-RAD NPAC Incentive after Tax	
4	Less: Energy Conservation Net Income	(1.763)
5	Less: Nuclear ITC	(20.830)
6	Less: NCIO in Transition Charge Variable Component	(7.459)
7	Less: RTC Charge Interest Income Timing Difference	(4.775)
8	Less: Nuclear PBR	(4.252)
9	Less: Pilgrim Contract Customers	(6.182)
10	Less: HEEC Net Income	(0.535)
11	Less: Stranded Cost Income Available	(8.050)
12	Less: Flow back of 1999 Additional Voluntary Depreciation for Mystic 4, 5 & 6	(2.554)
13	Less: Deferred Taxes from Divestiture/Securitization	(5.239)
14	Distribution Income Available for Common	\$ 92.715
15		
16	BECo. Average Common Stock Equity	\$991.106
17	Less: Stranded Cost Equity Component Balance	(\$100.747)
18	Distribution Average Common Stock Equity	\$890.359
19		
20	<b>Distribution Return on Average Common Stock Equity</b>	<b>10.41%</b>
21		
22	Effective Income Tax Rate	39.225%

Attachment AG-1-10(a)  
Page 9 of 10



**Boston Edison**  
A BEC ENERGY COMPANY

Tel: 617-424-2544  
Fax: 617-424-2733  
E-mail: [william\\_stowe@bedison.com](mailto:william_stowe@bedison.com)

**William S. Stowe**  
Assistant General Counsel

CC: DSH  
JJJ  
GOL  
BR✓  
MF  
RJW  
JRN  
CJK  
NR

April 1, 1999

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
100 Cambridge Street - 12th Flr.  
Boston, MA 02202

**Re: Boston Edison Company**  
**DPU/DTE 96-23**

Dear Secretary Cottrell:

As required by Section I.B.2.(d) of Boston Edison Company's Restructuring Settlement Agreement as approved by the Department in Boston Edison Company, DPU/DTE 96-23 (January 28, 1998), enclosed is a calculation for 1998 of Boston Edison Company's annual return on average common equity associated with distribution operations. As shown in the attached calculation, the adjusted return on average common equity is 10.54%, which lies within the neutral zone for which no further adjustment of rates shall be authorized or required.

If there are any questions regarding this filing, please let me know.

Very truly yours,

Enclosure

cc: Thomas E. Bessette, Esq.  
George B. Dean, Esq.  
Service List DPU/DTE 96-23  
Settlement Agreement Signatories

800 Boylston Street, Boston, Massachusetts, 02199

**Boston Edison Company  
ROE Reconciliation  
\$ in Millions**

Line #		1998	
1	Income Available for Common	\$148.571	Actual @ 12/31/98
2			
3	Average Common Stock Equity	\$1,061.875	Actual 13 Month Average
4			
5	Return on Average Common Stock Equity	14.0%	Line 1 / Line 3
6			
7			
8	<u>ROE Cap Adjustments</u>		
9	Income Available for Common	\$148.571	Actual @ 12/31/98
10	Less: Pre-RAD NPAC Incentive after Tax (A)	(6.214)	See (A) below
11	Less: Energy Conservation Net Income	(2.168)	Actual @ 12/31/98
12	Less: Fossil ITC	(10.879)	Per Tax Records
13	Less: NCIO in Transition Charge Variable Component	(10.651)	Actual NCIO @ 12/31/98 * (1 - Statutory Tax Rate)
14	Less: Nuclear PBR	(1.399)	Actual PBR @ 12/31/98 * (1 - Statutory Tax Rate)
15	Less: Pilgrim Contract Customers	(17.741)	Actual @ 12/31/98
16	Less: HEEC Net Income	(0.621)	Actual @ 12/31/98
17	Less: (Gain)/Loss on Unregulated Subs	13.038	January thru June 1998 Actual
18	Adjusted Income Available for Common	\$ 111.935	Sum of Lines 9 thru 17
19			
20	Average Common Stock Equity	\$1,061.875	Actual 13 Month Average
21			
22	Adjusted Return on Average Common Stock Equity	10.54%	Line 18 / Line 20
(A)	Pre-RAD NPAC Revenues	\$ 16.046	Actual @ 12/31/98
	DPU 92-92 NPAC	(5.821)	\$34.927M * (2 months / 12 months)
	NPAC Incentive	\$ 10.225	NPAC Incentive - Jan & Feb
	Effective Income Tax Rate	39.225%	Statutory Composite Income Tax Rate
	Income Taxes	4.011	NPAC Incentive * Effective Tax Rate
	NPAC Incentive after Tax	\$ 6.214	NPAC Incentive - Income Taxes

# **Boston Edison Company**

## **Historical Distribution Return on Rate Base (\$ Millions)**

<u>Line</u>	<u>Description</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Reference</u>
1	After Tax Distribution Return	\$ 85.777	\$ 82.325	\$ 70.805	Page 2 of 12, Line 26
2	Total Distribution Rate Base	1,394.573	1,503.904	1,586.817	Page 3 of 12, Line 41
3	Equity Rate Base	912.609	903.847	889.252	Line 2 times equity ratio
4	<b>Distribution Return on Rate Base</b>	<b>9.4%</b>	<b>9.1%</b>	<b>8.0%</b>	Line 1 divided by line 3

## Historical Distribution Return on Rate Base (\$ Millions)

Line	Distribution Return	2000	2001	2002	Reference
1	Distribution Revenue	\$ 518,318	\$ 527,797	\$ 530,184	p. 300 col. (b) Distribution only
2	Expenses				
3	Distribution O&M	\$ 179,247	\$ 180,855	\$ 179,948	p. 322 lines 126 + 134 + 141 + 148 col. (b)
4	Less DSM	(54,985)	(48,644)	(48,577)	p. 322 line 138 col. (b)
5	A&G Expense	77,657	68,125	94,910	p. 323 line 168 col. (b)
6	less: Transmission A&G	(2,798)	(2,863)	(3,487)	per Transmission COS
7	Payroll Tax	11,666	8,856	7,753	p. 263 lines 26 + 28 col. (i) *
8	less: Transmission payroll Tax	(0,438)	(0,376)	(0,275)	per Transmission COS
9	Property Tax	48,475	61,364	62,319	p. 263 line 23 col. (i)
10	less: Transmission Property Tax	(9,692)	(11,441)	(12,273)	per Transmission COS
11	Distribution Depreciation	52,578	55,243	59,086	p. 336 line 8 col. (e)
12	General Plant Depreciation	5,537	6,030	6,435	p. 336 line 9 col. (e)
13	less: Transmission Depreciation	(0,198)	(0,242)	(0,216)	per Transmission COS
14	Intangible Plant Amortization	7,533	5,557	4,046	p. 336 line 1 col. (e)
15	Amortization of Deductible CTA	4,822	4,822	4,822	p. 114 line 11 col. (c) part
16	Amortization (Incl Goodwill & CTA)	10,386	11,531	10,768	p. 114 line 11 col. (c) part
17	Total Expenses	\$ 329,791	\$ 338,815	\$ 365,259	Sum of lines 2 thru 16
18	Pretax Distribution Income	\$ 188,527	\$ 188,983	\$ 164,925	Line 1 minus line 17
19	Interest On Long Term Debt	\$ 34,725	\$ 40,455	\$ 39,512	Line 41 times Average Cost of LTD
20	Preferred Dividends	5,960	5,627	1,960	p. 118 line 29 col. (c)
21	Gross Up On Goodwill and CTA	6,703	7,442	6,949	Line 16 times 0.6454
22	Tax Calculation Adjustments	\$ 47,388	\$ 53,524	\$ 48,421	Sum of lines 19 thru 21
23	Pretax Return On Equity	\$ 141,139	\$ 135,459	\$ 116,504	Line 18 minus line 22
24	Statutory Tax Rate	39.225%	39.225%	39.225%	
25	Taxes on Equity Return	\$ 55,362	\$ 53,134	\$ 45,699	Line 23 times line 24
26	After Tax Distribution Return	\$ 85,777	\$ 82,325	\$ 70,805	Line 23 minus line 25

## Historical Distribution Return on Rate Base (\$ Millions)

Line	Rate Base	2000	2001	2002	Reference
27	Distribution Plant	\$ 1,807.642	\$ 1,946.002	\$ 2,021.284	p. 207 line 69 col. (g)
28	General Plant	86.267	93.653	116.679	p. 207 line 83 col. (g)
29	less: Transmission General Plant	(3.239)	(3.981)	(4.139)	per Transmission COS
30	Intangible Plant	66.933	69.633	54.823	p. 205 line 5 col. (g)
31	Acc. Depreciation - Distribution	(546.635)	(589.752)	(585.812)	p. 219 line 24 col. (c)
32	Acc. Depreciation - General	(13.528)	(22.183)	(19.910)	p. 219 line 25 col. (c)
33	less: Acc. Deprec. Transmission	0.508	0.943	0.706	per Transmission COS
34	Accumulated Amortization	(63.476)	(69.365)	(55.402)	p. 200 line 21 col. (c)
35	Working Capital on O&M	24.549	24.346	27.468	Sum of lines 3 thru 6 times 45/365
36	Working Capital on Power	67.205	93.525	67.340	p.321 ls 76+88 col.(b)-p.311 ls 10+11+12+13 cols.(h),(i)*30/65
37	M&S	15.621	15.461	13.291	p. 227 line 11 col. (c)
38	Less: Transmission M&S	(0.708)	(0.696)	(0.498)	p. 227 line 8 col. (c)
39	Prepaid Pension	87.600	133.415	156.779	allocated per worksheet
40	Accumulated Deferred Income Tax	(134.167)	(187.097)	(205.792)	
41	<b>Total Distribution Rate Base</b>	<b>\$ 1,394.573</b>	<b>\$ 1,503.904</b>	<b>\$ 1,586.817</b>	<b>Sum of lines 27 thru 40</b>

\* years 2000 and 2001 Payroll Taxes = p. 263 lines 3 + 4 + 7 + 15 + 17 + 26 + 28 col. (i)

## Commonwealth Electric Company

### Historical Distribution Return on Rate Base (\$ Millions)

Line	Description	2000	2001	2002	Reference
1	After Tax Distribution Return	\$ 18.367	\$ 19.941	\$ 18.187	Page 5, Line 25
2	Total Distribution Rate Base	326.496	337.267	382.355	Page 6, Line 40
3	Equity Rate Base	215.324	253.523	305.502	Line 3 times Equity Ratio
4	Distribution Return on Rate Base	8.5%	7.9%	6.0%	Line 1 divided by line 3

# Commonwealth Electric Company

## Historical Distribution Return on Rate Base (\$ Millions)

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Attachment AG-1-10(b)

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Line	Distribution Return	2000	2001	2002	Description
1	Distribution Revenue	\$ 141.665	\$ 145.786	\$ 145.299	Per Workpaper
2	Expenses				
3	Distribution O&M	\$ 55.106	\$ 62.255	\$ 59.255	P 322, lines 126 + 134 + 141 + 148, Col (b)
4	Less DSM	(10.950)	(10.370)	(9.271)	P 322, line 138, Col (b)
5	A&G Expense	28.919	25.038	28.871	P 323, line 168, Col (b)
6	less: Transmission A&G	(1.203)	(0.625)	(0.573)	Per Transmission COS
7	Payroll Tax	2.615	2.964	2.580	P 263, lines 8 - 10, Col (i)
8	less: Transmission payroll Tax	(0.112)	(0.751)	(0.052)	Per Transmission COS
9	Property Tax	6.401	6.419	6.154	P 263, line 6, Col (i)
10	less: Transmission Property Tax	(0.842)	(0.839)	(0.860)	Per Transmission COS
11	Distribution Depreciation	15.158	15.158	15.829	P 336, line 8, Col (e)
12	General Plant Depreciation	0.927	0.927	1.134	P 336, line 9, Col (e)
13	less: Transmission Depreciation	(0.042)	(0.023)	(0.023)	Per Transmission COS
14	Amortization of Deductible CTA	1.241	1.241	1.241	P 114, line 11, Col (c) part
15	Amort (Goodwill & Non-Ded CTA)	2.673	2.673	2.673	P 114, line 11, Col (c) part
16	Total Expenses	\$ 99.891	\$ 104.066	\$ 106.958	Sum of lines 2 thru 15
17	Pretax Distribution Income	\$ 41.774	\$ 41.720	\$ 38.341	Line 1 minus line 16
18	Interest On Long Term Debt	\$ 9.828	\$ 7.184	\$ 6.691	Line 40 times Average Cost of LTD
19	Preferred Dividends	-	-	-	Line 15 times 0.6454
20	Gross Up On Goodwill And CTA	1.725	1.725	1.725	Sum of lines 18 thru 20
21	Tax Calculation Adjustments	\$ 11.553	\$ 8.909	\$ 8.416	Line 17 minus line 21
22	Pretax Return On Equity	\$ 30.221	\$ 32.811	\$ 29.924	Line 22 times line 23
23	Statutory Tax Rate	39.225%	39.225%	39.225%	Line 22 minus line 24
24	Taxes on Equity Return	\$ 11.854	\$ 12.870	\$ 11.738	
25	After Tax Distribution Return	\$ 18.367	\$ 19.941	\$ 18.187	

# Commonwealth Electric Company

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Attachment AG-1-10(b)

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## Historical Distribution Return on Rate Base (\$ Millions)

Rate Base		2000	2001	2002	Description
26	Distribution Plant	\$ 460.635	\$ 483.886	\$ 510.595	P 207, line 69, Col (g)
27	General Plant	31.502	32.452	46.124	P 207, line 83, Col (g)
28	less: Transmission General Plant	(1.343)	(0.811)	(0.788)	Per Transmission COS
29	Intangible Plant	1.837	1.837	2.202	P 205, line 5, Col (g)
30	Acc. Depreciation - Distribution	(153.132)	(164.156)	(172.227)	P 219, line 24, Col (b)
31	Acc. Depreciation - General	(13.181)	(14.122)	(14.920)	P 219, line 25, Col (b)
32	less: Acc. Deprec. Transmission	0.544	0.346	0.291	Per Transmission COS
33	Accumulated Amortization	(1.837)	(1.837)	(1.996)	P 200, line 21, Col (b)
34	Working Capital on O&M	8.861	9.407	9.651	Sum of lines 3 thru 6 times 45/365
35	Working Capital on Power	19.810	28.317	22.714	P 321, lines 76 + 78, Col (b) less P 311, line 2, Col (k) times 30/365
36	M&S	3.324	5.017	6.288	P 227, line 11, Col (c)
37	Less: Transmission M&S	(0.848)	(0.729)	(0.326)	Per Transmission COS
38	Prepaid Pension	24.413	37.181	43.693	Allocated per worksheet
39	Accumulated Deferred Income Tax	(54.087)	(79.521)	(68.946)	Per worksheet
40	<b>Total Distribution Rate Base</b>	<b>\$ 326.496</b>	<b>\$ 337.267</b>	<b>\$ 382.355</b>	<b>Sum of lines 26 thru 39</b>

## Cambridge Electric Light Company

### Historical Distribution Return on Rate Base (\$ Millions)

Line	Description	2000	2001	2002	Reference
1	After Tax Distribution Return	\$ 2.113	\$ 3.197	\$ 4.245	Page 8, Line 25
2	Total Distribution Rate Base	47.062	51.915	56.410	Page 9, Line 40
3	Equity Rate Base	33.536	38.329	42.234	Line 2 times equity ratio
4	Distribution Return on Rate Base	6.3%	8.3%	10.1%	Line 1 divided by line 3

# Cambridge Electric Light Company

## Historical Distribution Return on Rate Base (\$ Millions)

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Attachment AG-1-10(b)

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Line	Distribution Return	2000	2001	2002	Description
1	Distribution Revenue	\$ 20.278	\$ 21.690	\$ 21.188	Per worksheet
2	Expenses				
3	Distribution O&M	\$ 12.573	\$ 12.121	\$ 10.009	P 322, lines 126 + 134 + 141 + 148, Col (b)
4	Less DSM	(4.237)	(3.951)	(4.275)	P 322, line 138, Col (b)
5	A&G Expense	4.891	5.056	4.615	P 323, line 168, Col (b)
6	less: Transmission A&G + Dist. O&M	(2.185)	(2.515)	(2.051)	Per Transmission COS
7	Payroll Tax	0.455	0.321	0.389	P 263, lines 7 - 13, Col (i)
8	less: Transmission payroll Tax	(0.081)	(0.055)	(0.088)	Per Transmission COS
9	Property Tax	1.877	1.733	1.485	P 263, line 5, Col (i)
10	less: Transmission Property Tax	(0.967)	(0.911)	(0.746)	Per Transmission COS
11	Distribution Depreciation	3.348	3.423	3.627	P 336, line 8, Col (e)
12	General Plant Depreciation	0.100	0.099	0.123	P 336, line 9, Col (e)
13	less: Transmission Depreciation	(1.271)	(1.317)	(1.353)	Per Transmission COS
14	Amortization Deductible CTA	0.295	0.295	0.295	P 114, line 11, Col (c) part
15	Amortization (Incl Goodwill & CTA)	0.562	0.636	0.636	P 114, line 11, Col (c) part
16	Total Expenses	\$ 15.360	\$ 14.935	\$ 12.666	Sum of lines 2 thru 15
17	Pretax Distribution Income	\$ 4.918	\$ 6.755	\$ 8.522	Line 1 minus line 16
18	Interest On Long Term Debt	\$ 1.078	\$ 1.085	\$ 1.128	Line 40 times Average Cost of LTD
19	Preferred Dividends	-	-	-	
20	Gross Up On Goodwill And CTA	0.363	0.410	0.410	Line 15 times 0.6454
21	Tax Calculation Adjustments	\$ 1.441	\$ 1.495	\$ 1.538	Sum of lines 18 thru 20
22	Pretax Return On Equity	\$ 3.477	\$ 5.260	\$ 6.984	Line 17 minus line 21
23	Statutory Tax Rate	39.225%	39.225%	39.225%	
24	Taxes on Equity Return	\$ 1.364	\$ 2.063	\$ 2.739	Line 22 times line 23
25	After Tax Distribution Return	\$ 2.113	\$ 3.197	\$ 4.245	Line 22 minus line 24

# Cambridge Electric Light Company

## Historical Distribution Return on Rate Base (\$ Millions)

D.T.E. 03-47

Attachment AG-1-10(b)

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Rate Base		2000	2001	2002	Description
26	Distribution Plant	\$ 108.572	\$ 110.484	\$ 121.304	P 207, line 69, Col (g)
27	General Plant	4.362	4.315	6.430	P 207, line 83, Col (g)
28	less: Transmission Plant	(45.678)	(46.895)	(48.696)	Per Transmission COS
29	Intangible Plant	0.233	0.233	0.301	P 205, line 5, Col (g)
30	Acc. Depreciation - Distribution	(38.404)	(40.583)	(43.384)	P 219, line 24, Col (b)
31	Acc. Depreciation - General	(1.139)	(1.380)	(0.489)	P 219, line 25, Col (b)
32	less: Acc. Deprec. Transmission	15.893	17.105	17.622	Per Transmission COS
33	Accumulated Amortization	(0.246)	(0.246)	(0.246)	P 200, line 21, Col (b)
34	Working Capital on O&M	1.361	1.321	1.023	Sum of lines 3 thru 6 times 45/365
35	Working Capital on Power	5.318	9.755	7.764	P 321, lines 76 + 78, Col (b) less P 311, lines 6-9, Col (k) times 30/365
36	M&S	0.343	0.249	0.244	P 227, line 11, Col (c)
37	Less: Transmission M&S	(0.303)	(0.157)	(0.128)	Per Transmission COS
38	Prepaid Pension	4.308	6.561	7.710	Allocated per worksheet
39	Accumulated Deferred Income Tax	(7.558)	(8.847)	(13.045)	Per worksheet
40	<b>Total Distribution Rate Base</b>	<b>\$ 47.062</b>	<b>\$ 51.915</b>	<b>\$ 56.410</b>	<b>Sum of lines 26 thru 39</b>

# NSTAR Gas Company

## Historical Distribution Return on Rate Base (\$ Millions)

Line	Description	2000	2001	2002	Reference
1	After Tax Distribution Return	\$ 26.511	\$ 22.648	\$ 17.281	Page 11, Line 20
2	Total Distribution Rate Base	311.366	339.603	362.974	Page 12, Line 31
3	Equity Rate Base	211.573	214.493	262.684	Line 2 times equity ratio
4	Distribution Return on Rate Base	12.5%	10.6%	6.6%	Line 1 divided by line 3

# NSTAR Gas Company

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## Historical Distribution Return on Rate Base (\$ Millions)

Line	Distribution Return	2000	2001	2002	Description
1	Distribution Revenue	\$ 148.681	\$ 140.503	\$ 137.695	MA AR, P 43, L 22, C (b) less P 46, L 13, C (b)
2	Expenses				
3	Distribution O&M	\$ 46.353	\$ 45.400	\$ 44.375	MA AR, P 46, L 27 + 53, C (b) & P 47, L 8 + 15, C (b)
4	Less DSM	(0.477)	(0.360)	(0.356)	MA AR, P 47, L 14, C (b) / 2
5	A&G Expense	26.853	22.292	29.364	MA AR, P 47, L 32, C (b)
6	Payroll Tax	2.989	2.370	2.907	MA AR, P 49, L 6, 7 & 10, C (d)
7	Property Tax	5.074	6.281	5.886	MA AR, P 49, L 12, C (d)
8	Distribution Depreciation	11.628	12.579	14.339	MA AR, P 10, L 6, C (b)
9	Amortization of Deductible CTA	1.048	1.048	1.048	MA AR, P 10, L 8, C (b) part
10	Amort (Goodwill & Non-Ded CTA)	2.256	2.256	2.256	MA AR, P 10, L 8, C (b) part
11	Total Expenses	\$ 95.725	\$ 91.865	\$ 99.819	Sum of lines 2 thru 10
12	Pretax Distribution Income	\$ 52.956	\$ 48.638	\$ 37.876	Line 1 minus line 11
13	Interest On Long Term Debt	\$ 7.878	\$ 9.916	\$ 7.985	Line 31 times Average Cost of LTD
14	Preferred Dividends	-	-	-	Line 10 times 0.6454
15	Gross Up On Goodwill And CTA	1.456	1.456	1.456	Sum of lines 13 thru 15
16	Tax Calculation Adjustments	\$ 9.334	\$ 11.372	\$ 9.441	
17	Pretax Return On Equity	\$ 43.622	\$ 37.265	\$ 28.434	Line 12 minus line 16
18	Statutory Tax Rate	39.225%	39.225%	39.225%	
19	Taxes on Equity Return	\$ 17.111	\$ 14.617	\$ 11.153	Line 17 times line 18
20	After Tax Distribution Return	\$ 26.511	\$ 22.648	\$ 17.281	Line 17 minus line 19

# NSTAR Gas Company

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## Historical Distribution Return on Rate Base (\$ Millions)

Rate Base		2000	2001	2002	Description
21	Distribution Plant	\$ 396.741	\$ 426.178	\$ 459.615	MA AR, P 18, L 14, C (g)
22	General Plant	16.774	16.884	22.207	MA AR, P 18, L 27, C (g)
23	Intangible Plant	1.392	1.392	1.751	MA AR, P 17, L 4, C (g)
24	Acc. Depreciation - Distribution	(137.666)	(148.945)	(159.024)	MA AR, P 13, L 12, C (b)
25	Accumulated Amortization	(4.281)	(4.985)	(6.640)	MA AR, P 13, L 13, C (b)
26	Working Capital on O&M	8.967	8.301	9.047	Sum of lines 3 thru 5 times 45/365
27	M&S	1.645	1.680	1.619	MA AR, P 24, L 4, C (c)
28	Fuel Inventory	37.183	40.959	34.116	MA AR, P 24, L 1 & 7, C (c)
29	Prepaid Pension	25.849	39.368	46.263	Allocated per workpaper
30	Accumulated Deferred Income Tax	(35.237)	(41.229)	(45.980)	Per workpaper
31	<b>Total Distribution Rate Base</b>	<b>\$ 311.366</b>	<b>\$ 339.603</b>	<b>\$ 362.974</b>	<b>Sum of lines 21 thru 30</b>

Information Request DTE-3-1

Please refer to Exh. NSTAR-JJJ, at 31-32. If base rates are not adjusted for pension and post-retirement benefits other than pensions ("PBOP") expenses at the present time, would the requirements of FAS 71 be satisfied if the Reconciliation Adjustment is determined based upon the amount currently collected in base rates for pension/PBOP costs?

Response

The Company's proposal does not include an adjustment to base rates at the present time. Each proposed tariff is designed to establish a separate adjustment factor, which would be changed (up or down) annually on January 1<sup>st</sup> of each year. The first adjustment would occur on January 1, 2004. As a part of that adjustment, the Company has proposed to include the Average Differential Amount totaling approximately \$40 million, representing the difference between the \$37 million currently being collected in base rates and the average of the last three years' cash expense contributions to the pension and PBOP trust funds. The inclusion of the \$40 million Average Differential Amount is intended to ensure that the amounts currently being recovered from customers are more representative of the Company's actual pension and PBOP obligations.

The remainder of this response assumes that the question is asking whether SFAS 71 would be satisfied if there were an annual calculation of the Pension Reconciliation Adjustment that excluded the Average Differential Amount.

Paragraph 9 of SFAS 71 provides the following rule with regard to the creation of regulatory assets:

9. *Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An enterprise shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:*
  - a. *It is probable<sup>1</sup> that future revenue in an amount at least equal to the capitalized cost will result from the inclusion of that cost in allowable cost for rate-making purposes.*

<sup>1</sup>

*The term probable is used in this Statement with its use in FASB Statement No. 5, Accounting for Contingencies. Statement 5 defines probable as an area within a range of likelihood that a future event or events will occur. That range is from probable to remote, as follows:*

*Probable. The future event or events are likely to occur.*

- b. *Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.*

The removal of the Average Differential Amount from the reconciliation mechanism would not necessarily require the Company to take a write-off of its pension and PBOP related regulatory assets. Under SFAS 71, the Company would be allowed to retain its pension and PBOP regulatory assets as long as the Company is allowed to reconcile on an annual basis the difference between what it is collecting in rates and its SFAS 87 and SFAS 106 expenses. The removal of the Average Differential Amount, however, would cause the Company to accumulate higher pension and PBOP deferrals and continue to result in customers experiencing rates that do not properly reflect a representative level of pension and PBOP expenses. The resulting impact will be the significant accumulation of carrying charges associated with higher deferrals and may require the Company to seek general rate relief in order to increase the amount of pension and PBOP expenses being recovered in base rates.

See, also, response to Information Request DTE-2-17.

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*Reasonably Possible. The chance of the future event or events occurring is more than remote but less than likely.*

*Remote. The chance of the future event or events occurring is slight.*

Information Request DTE-3-2

Please refer to Exh. NSTAR-JJJ, at 2. Provide the Companies' return on common stockholders' equity for the years 2000-2002. Provide the Companies' projected cost of equity for the years 2003-2005 with and without the proposed Reconciliation Adjustment Mechanism.

Response

Please refer to the Company's response to Information Request AG-1-10 for the Companies' return on common equity for the years 2000-2003.

The Company does not normally "project" its cost of equity for business purposes. The cost of equity is a ratemaking concept that is generally applied when a Company seeks a general rate increase and the Department must include a reasonable return on investment based on financial and market conditions at a point in time. Thus, a Company's cost of equity is usually calculated by an expert witness who normally provides a range of possibilities based on then-existing conditions. The Company is unable to project its cost of common equity on a forecasted basis, either with or without the proposed PAM. However, as indicated in the response to Information Request AG-1-58, without the approval of the PAM, the Company will be forced to take a large charge to common equity, which will have negative impacts on bond ratings, credit ratings and stock prices. Reductions in stock prices would increase the cost of equity.

Information Request DTE-3-3

Please refer to Exh. NSTAR-JJJ, at 2-3. If the Department approved the Companies' proposed Reconciliation Adjustment Mechanism, what would be the effect on the Companies' cost of common equity?

Response

The Company believes that if the Department does not approve the PAM, the Company's cost of common equity will increase. Approval of the PAM would not change its cost of equity. See the responses to Information Requests AG-1-58 and DTE-3-2.

Information Request DTE-3-4

Please refer to Exh. NSTAR-JJJ, at 33-35. Discuss NSTAR's incentive to minimize pension and PBOP costs in the future should the Department allow the Companies' requested dollar for dollar recovery of pension/PBOP costs as well as carrying charges on the Unamortized Reconciliation Deferral and the previous years' Prepaid Amounts.

Response

NSTAR's incentive to ensure that it proper oversight of its pension and PBOP costs is no less under the proposed tariffs. Pension and PBOP benefits are a part of the Company's total compensation package that it relies on to attract and retain a set of qualified, skilled workers. The Company regularly compares its total compensation package to those offered by both the general marketplace and other similar industries with which it must compete for skilled workers. The Company believes that it has struck an appropriate balance of base wages and fringe benefits through careful, continuous monitoring of its position in the labor market. NSTAR also understands that part of its obligation to its customers is to provide safe and reliable service at a minimum cost. This service obligation is not only appropriate from a business perspective, but is mandated by regulatory requirements and enforced by the Department. Most expense items are accounted as "pay as you go", so a ratemaking approach that does not reconcile costs and revenues provides a large incentive for companies to minimize costs. Between rate cases, cost savings are retained by companies and become shareholder earnings. However, long-term pension and PBOP obligations must be accounted for on an accrual basis, as opposed to "pay as you go." Thus, past actions will affect future obligations and there is a reconciling aspect to the expense. The PAM would enhance regulatory incentives, because like other reconciling costs (e.g., transition costs, gas costs, electric supply costs) there will be an annual proceeding to review the costs and there will be an opportunity for the Department and intervenors to challenge the prudence of the expenditures. Thus, there will be stronger regulatory incentives for NSTAR to ensure that pension and PBOP costs are minimized, consistent with the reasonable objectives of the plans.

Information Request DTE-3-5

Please explain the significance of the August 1, 2003 effective date for the tariffs. Discuss the effects, if any, if the tariffs became effective later in 2003, or possibly in 2004?

Response

The effective date of the tariffs as filed pursuant to G.L. c. 164, § 94 was May 1, 2003. The Company recognized that the Department would need to suspend the tariffs in order to conduct an investigation into their propriety. The Company should have a mechanism in place by the end of 2003 in order to avoid a likely significant write down of equity. Accordingly, in the cover letter of its filing, the Company requested that the Department issue a decision by August 1, 2003, so that in the event that the Department's Order failed to achieve the objective of preserving the pension and PBOP regulatory assets, the Company would have additional time before the end of 2003 to explore alternative regulatory approaches for achieving its objective. See, also, the Company's response to Information Request DTE-3-1.

Information Request DTE-4-1

Please refer to Exh. NSTAR-JJJ. Provide the projected aggregate distribution rate base for the NSTAR companies, assuming that the companies file for a base rate increase based upon a 2003 test year. If this information cannot be provided in the aggregate, please provide it by company.

Response

Rate base for a 2003 test year would be a year-end 2003 amount. Plant additions and retirements or depreciation during the course of 2003 will have an impact on the actual year-end rate base and therefore, year-end 2003 rate base is not known at this time. Year-end 2002 rate base for distribution service, is presented in the Company's response to Information Request AG-1-10, specifically Attachment AG-1-10(b), pages 1, 4, 7 and 10 on line 2.

Information Request DTE-4-2

Please refer to Exh. NSTAR-JJJ. Provide the calculation of the estimated aggregate cost of capital for the NSTAR companies, assuming that the companies file for a base rate increase based upon a 2003 test year. If this information cannot be provided in the aggregate, please provide it by company.

Response

In a general rate case, the cost of capital is dependent on both the actual cost of long-term debt, the allowed return on equity, as applied to the capital structure of each company. A rate case based on a 2003 test year could not be filed until 2004, so the cost of capital would be dependent on market circumstances at that time. See also, the Company's responses to Information Requests AG-1-10.